Authority of India. This matter in my experience has been progressing for quite some time now and the problem has been complete lack of discipline between different branches of Government, whether in the previous Government or in the current Government. I would respectfully request the hon. Minister to take this matter to the Cabinet because there is no point in saying that it is *sub-judice.* The question is that you must before filing a writ petition obtain prior clearance is not *sub-judice.* What is *sub-judice* is the validity of the notification. This is not *sub-judice* at all because you happened to breach a particular resolution of the Cabinet. Therefore, it is not *sub-judice.* Hence, I respectfully request the hon. Minister-since this raises a much wider issue and a large number of departments of the Government are doing this — that this should be taken to the Cabinet and a firm directive issued not merely to the Labour Ministry and the AAI but also to all departments of the Government, should be issued, because 60 per cent of the litigation in this country, today, is Government created.

SHRI PRAFUL PATEL: Sir, I am most honoured by what the hon. Member has said. He is a very senior and respected lawyer. Therefore, whatever suggestions he has mentioned will, definitely, be given due importance and we will take it up in the right earnest.

Monitoring Nationalised Banks and Financial Institution

*283. SHRI RAJU PARMAR :†
PROF. ALKA BALRAM KSHATRIYA:

Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Bank of India (RBI) is monitoring and supervising the role of Nationalised Banks and Financial Institutions (FIs) through any advisory group;

(b) if so, what are the names of Banks/FIs which are underactive scanner of the RBI;and

(c) whether any irregularities have been found in the working of these Banks/FIs and if so, the details thereof?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) A Statement is laid on the Table of the House.

† The question was actually asked on the floor of the House by Shri Raju Parmar.

Statement

(a) Yes, Sir. The Board for Financial Supervision (BFS), constituted in November 1994, as a committee of the Central Board of Directors of Reserve Bank of India (RBI), undertakes supervision of the financial sector comprising scheduled commercial Banks, financial institutions, non-banking financial companies, urban co-operative Banks and primary dealers. The Board is assisted by the Department of Banking Supervision in RBI and gives directions on the regulatory and supervisory issues of these entities.

(b) All Public Sector, Private Sector, Foreign Banks and Financial Institutions are under the supervision of the RBI.

(c) the working of Banks and Financial Institutions is reviewed on a continued basis by RBI. All cases of divergence and non-implementation of guidelines of RBI by Banks are reviewed and taken up with the managements of the respective Banks. The irregularities mainly relate to divergence in provisioning, high level of NPAs, Practice of swapping of non-performing assets (NPAs) amongst Banks, deficiency in internal control, transgression of delegated powers, inadequacy of provisioning of terminal benefits, frauds and slippage of income etc.

SHRI RAJU PARMAR. Sir, the Government has allowed the foreign Banks to obtain 10 per cent share in private Banks in India. I would like to know from the hon. Minister what will be the impact of this participation of equity by foreign Banks in the public sector Banks, and, whether the RBI would monitor the joint venture of foreign Banks with private Indian Banks.

SHRI P. CHIDAMBARAM: Sir, as the hon. Member has said, foreign Banks and investors are allowed to acquire up to 10 per cent. This question concerns the Board for Financial Supervision. And the ambit of the Board for Financial Supervision is, as I have said, scheduled commercial Banks, financial institutions, non-banking financial companies, urban co-operative Banks and primary dealers. Any Bank falling under this category comes under the Board for Financial Supervision.

SHRI RAJU PARMAR: The private and foreign Banks in India are frequently announcing various schemes to attract customers for loan at higher rate of interest. I would like to know whether the RBI is monitoring such schemes announced by private and foreign Banks. If so, whether any irregularity has been noticed against these Banks.

SHRI P. CHIDAMBARAM: Sir, Inspection Reports of the RBI's Department of Inspection are placed before the Board for Financial Supervision. They are not shared with the Government, unless there is a specific case of violation in which action is taken by the RBI. The RBI is a statutory authority. It has autonomy and independence and I am assuming that any violation noticed by the Board for Financial Supervision, through Inspection Report or otherwise, will be attended to by the Board. It would not be possible for me to say whether any particular violation was noticed, unless you give me the name of the Bank or the details of violation. If it is, I will certainly bring it to the notice of the Board for Financial Supervision. I don't think the Government should function as the Board for Financial Supervision over the Board for Financial supervision. It is an independent regulatory body.

श्री सभापति : श्री मुरली देवरा ।

प्रो. अलका क्षत्रिय : सर, मेरा सप्लीमेटरी क्वेश्चन है।

श्री सभापति : ठीक है, बोलिए ।

प्रो. अलका क्षत्रिय : सभापति महोदय, मैं माननीय वित्त मंत्री जी से यह जानना चाहती हूं कि पिछले तीन वर्षो में वित्तीय पर्यवेक्षण बोर्ड द्वारा समीक्षा किए गए विभिन्न राष्ट्रीयकृत बैंक, वित्तीय संस्थाओं और विशेषकर सहकारी बैंकों के एन.पी.ए. और बैड डेट का तुलनात्मक विवरण क्या है? क्या वे कम हुए हैं या बढ़े हैं? अगर उनमें बढ़ोतरी हुई है वित्तीय पर्यवेक्षण बोर्ड द्वारा इनको नियमित करने के क्या उपाय सुझाए गए हैं और राष्ट्रीयकृत बैंकों के एन.पी.ए. में जो बढ़ोतरी हुई है, इसके चलते क्या सरकार राष्ट्रीयकृत बैंको का निजीकरण करना चाहती है या नहीं ?

SHRI P. CHIDAMBARAM: Sir, it is not correct to say that there has been an increase in the NPAs. I have been pointing out, over the last four years, the gross and net NPAs have come down. They have come down from 2002-2003 to 2003-2004.I am confident that this year also the gross NPAs and net NPAs will come down. The assumption behind the question that the NPAs are raising, I am afraid, is not an assumption that I can share.

प्रो. अलका क्षत्रिय : सभापति जी, मेरा दूसरा प्रश्न ।

श्री सभापति : नहीं नहीं। श्री मुरली देवरा।

प्रो. अलका क्षत्रिय : सर, बहुत जरूरी है । मंत्री जी ने अपने जवाब में कहा कि एनपीए कम हुआ है, लेकिन निजी बैंकों में हुई धोखाधड़ी हमारे सामने हैं।

श्री सभापति : नहीं, मैं आपका दूसरा प्रश्न एलाऊ नहीं करूंगा । आप बैठ जाइए। ...**(व्यवधान)**... बैठिए , बैठिए।

SHRI MURLI DEORA: Mr. Chairman, Sir, the hon. Finance Minister has replied that the Board of Financial Supervision of RBI of monitoring and supervising the working of non-banking financial companies. I am sure, the hon. Finance Minister knows that hundreds and thousands of small and medium investors, comprising of senior citizens and widows, have deposited their money in these NBFCs. The NBFCs are playing havoc with these investors. They are not giving back their money. They are not available for comments. Some of them have closed their offices in all the big cities. This is a very serious matter. We have discussed this several times, especially, in the Standing Committee also. The hon. Finance Minister is aware of this. I would like to know from the hon. Minister what specific steps the Government is going to take in this regard. Leaving the problem to be tackled by the RBI will not suffice. What specific steps is the Government going to take to protect the small and medium investors who have deposited their money in NBFCs and plantation companies?

SHRI P. CHIDAMBARAM: Mr. Chairman, Sir, I agree that it has been debated many times. NBFCs are governed by regulations made by the Reserve Bank of India. When an NBFC violates those regulations, the Reserve Bank of India takes action against those NBFCs. I think the Ministry of Company Affairs also takes action against them. But, surely, to ask what steps the Government will take to protect the interest of depositors is, I think, leading to a suggestion that Government should bail out these depositors. I have repeatedly said this — I think, this has been said by my predecessors also — that I don't think it is possible for the Government to bail out depositors in NBFCs. We can punish them, we can prosecute them, we can take action against them. But to ask the Government to act as the last resort and bail out depositors may not be the correct way to approach this problem. If you give me the name of a specific NBFC, and specific violations which have not been acted upon,

surely, I will ask the concerned authorities to take action against the Promoters and Directors of that NBFC.

श्री सभापति : श्री एकनाथ ठाकुर ।

प्रो. अलका क्षत्रिय : सर*

श्री सभापति : नहीं, मैं एलाऊ नहीं कर रहा हूं । रिकॉर्ड नहीं होगा। आप बैठ जाइए। रिकॉर्ड न किया जाए ।

SHRI EKANATH K. THAKUR: Mr. Chairman, Sir, through you, I would like to ask the hon. Minister whether there are two sets of rules for depositors. The depositors of NBFCs are....

MR. CHAIRMAN: Please put you question.

SHRI EKANATH K. THAKUR: Mr. Chairman, Sir, this is my question. Are there two sets of rules for depositors being enforced by this Government? For the depositors in NBFCs and urban cooperative Banks, the Government says that it will not be able to protect them, but for the Global Trust Bank and such other Banks you come forward with financial packages. There are about 800 urban cooperative Banks which are in trouble today, but you are not coming out with any support for these Banks. For the depositors, who are small and marginal farmers, landless labourers, small wage earners, there is no package. And for the bigger, richer Banks, which have clout with you, you come with a package of Rs. 800/- crores, or Rs. 1200/- crores. What is this policy? Is this the Government of India or a Government for only some sections of depositors?

SHRI P. CHIDAMBARAM: Mr. Chairman, Sir, I have great respect for the views of the hon. member. I think the criticism is ill-founded. The Global Trust Bank was taken over by a public sector Bank after that public sector Bank found it a commercially viable proposition to take over the assets and the branches of that Bank.

SHRI EKANTH K. THAKUR: There was an invisible hand of the Government.

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† Not recorded.

MR. CHAIRMAN: Please take your seat. Don't interrupt.

SHRI P. CHIDAMBARAM: There was no invisible hand of the Government. And I can assure you there is no invisible hand of anyone. There is a visible hand. When a proposal was put forward, we approved it with a visible hand. There was no invisible hand there. When we are talking about urban cooperative Banks, if the depositors are insured, the Deposit Insurance Corporation pays according to the insurance policy. But to ask the Government of India to bail out every failed or failing urban cooperative Bank is a sure recipe for disaster. It is simply not possible for the Government of India to Bail out every failed or failing cooperative Bank. I am answering with a sense of responsibility dictated by fiscal prudence, it cannot be done. You should not ask the Government to bail out every failed urban cooperative Bank.

Bail-out package for LIC

*284. SHRI B.K. HARIPRASAD: Will the Minister of FINANCE be pleased to state:

(a) whether Government have declined to approve the public offer plan mooted by the Life Insurance Corporation of India and if so, the reasons therefor;

(b) whether the LIC is under severe pressure to comply with the solvency margin standards mandated by the insurance regulatory authority;

(c) whether the LIC has sought a bail-out package from the Centre including waiver of its distributable surplus payable to Government every year; and

(d) if so, Government's reaction thereto?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) No such proposal has been received from Life Insurance Corporation of India (LIC).

(b) As on 31.3.2004, LIC has provided Rs. 16807 crore against Rs. 15183 crore which is the Required Solvency Margin (RSM). However, IRDA has asked all life insurers to provide 150% of the RSM.

(c) No, Sir.

(d) Does not arise.